



United States
Department of
Agriculture

Rural Development
Rural Housing Service
Rural Business-Cooperative Service
Rural Utilities Service

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July 14, 2003
Colorado AN No. 1897(HB-1-3550)

**SUBJECT: Section 502 Direct Construction Loans (including Mutual Self-Help Housing)---
Construction Forms, Insurance Coverage and Suggested File Organization**

To: USDA/Rural Development Staff
Single Family Housing Program- Colorado

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to give guidance to agency personnel concerning construction forms, insurance coverage and suggested file organization for Section 502 Direct Construction loans.

COMPARISON WITH PERVIOUS AN:

This AN replaces Colorado AN No. 1834(HB-1-3550), which has now expired.

IMPLEMENTATION RESPONSIBILITIES:

The Following items are intended to assist Single Family Housing staff by clarifying the use of construction forms, insurance coverage, EEO posters, and suggested file organization for construction loans (including mutual self-help housing):

1. **Form RD 400-1, Equal Opportunity Agreement.** This form is required for all new construction loans.
2. **Form RD 400-3, Notice to Contractors and Applicants & Form RD 400-6, Compliance Statement.** These forms are only required when a construction contract is used.
3. **Form 1940-22, Environmental Checklist for Categorical Exclusions.** The completed form should be attached to the FEMA, Flood Certification form.

EXPIRATION DATE:
July 31, 2004

FILING INSTRUCTIONS:
HB-1-3550, Appendix 7

4. **Insurance Coverage.** If the insurance agent will not insure the home for the amount of the loan, then the replacement cost of the home can be used.
5. **EEO, Fair Housing & Non-Discrimination Posters.** These posters need to be posted at the job site. They can be posted in a visible area in the construction trailer, or posted in the dwelling.
6. **Construction file organization.** Our suggested organization of case files for mutual self-help construction loans is to set up 3 files: 1 file for the loan documentation, 1 file for invoices and 1 file for check registers and bank statements. The contents of the files for invoices and bank statements will be sent to borrower 12 months after completion of home.

GINETTE DENNIS
State Director